Tells the Facts and Names the Names

CounterPunch

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Dispatches From the Stephen Roach Motel

Morgan Stanley's Merchant of Misery

More and more, the U.S. economy operates along traditional Third World lines. Business prospers. The mass of the population gets left behind and so-called economic "recoveries" don't deserve the name. The present supposed upturn, for example, has generated four million fewer jobs than what would have been regarded as a respectable total for a recovery a decade ago. In 1993, a year of high profits for many firms, layoffs in the U.S. reached a record level of 600,000.

Stephen Roach is the chief economist for the Wall Street firm of Morgan Stanley, an "authority" who rationalizes and promotes the Third World model, now regarded by mainstream opinion as the undisputed way forward. Highly respected by the corporate press, Roach is one of those Wall Street figures that journalists home to like pigeons, eager to roost on the shoulder of reassuring financial orthodoxy.

Having noted Roach's increasing eminence as an economic guru, we rang the Wall Street man and told him we were business researchers keen to assess his impressive intellectual oeuvre. He obligingly sent us a sampler of his recent works, including a report for Morgan Stanley investors, a speech in Washington to the National Economists Club, as well as testimony Roach delivered to a House subcommittee.

According to Roach, the U.S. economy is in a satisfactory state. He estimates that long-term productivity has been raised by 0.5 percentage points annually. Over a ten-year period this translates into a $300 billion windfall for corporate America.

The key to U.S. economic resurgence, Roach says, has been the past decade's "wrenching corporate restructurings", which have produced plant closings, lay-offs, outsourcing, and industry-wide consolidations. Those restructurings, with their emphasis on cost control via relentless downsizing, "offer nothing but upside for the financial markets".

But the Morgan Stanley economist says that dark clouds loom. Comparing corporate lay-off rates in the U.S., Germany and Japan ("long [my] favorite gauge in judging the intensity of corporate restructuring efforts"), he finds that during the first three months of this year, U.S. firms fired only 97,200 employees, less than half the rate during the same period in 1994 and far fewer than the numbers laid off by Japanese and German firms. To Roach, this disturbing trend signifies a "slackening of restructuring by corporate America at the same time such efforts are accelerating in Japan and Germany".

Equally worrying to Roach are signs that U.S. companies "could become lax in granting wage increases to increasingly disgruntled and overworked labor forces". For more than a decade, U.S. workers have seen wage levels remain stagnant. He fears demands from unions "to give disenfranchised labor at least a token reward for its contribution to the productivity resurgence of the 1990s".

The possibility that U.S. corporations are dropping "their guard in the rough and tumble of global competition" troubles Roach. "Perhaps my fears are getting the

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The Owl of Minerva

"The Greeks and the Romans were homosexuals. Their civilizations did not stand. Did they come in contact with a social disease like AIDS? I don't know the answer. But I wonder."

— Rep. Frank Cremeans (R-Ohio), pondering the enigmas of history

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Punch Bowl

AID to the Aid of the Parties

Having imposed a World Bank-inspired economic program on Jean-Bertrand Aristide, Washington's "Operation Democracy" for Haiti has moved to the political arena. The chief goal is to destroy Aristide's Lavalas movement and bolster "responsible" parties who will meekly accept U.S. tutelage.

We recently secured a copy of the International Republican Institute's proposal for "pre-election activities" in advance of Haiti's June 4 legislative and municipal balloting. The agenda of the Institute (IRI) – whose board is graced by such "freedom fighters" as Jeane Kirkpatrick and Kissingerette Lawrence Eagleburger, and whose work is entirely funded by the Agency for International Development (AID) – includes "voter education" and "strengthen[ing] political parties."

Which parties the Institute will be seeking to strengthen soon becomes clear. The second paragraph of the proposal states that the "IRI will conduct local leadership training exclusively for non-Lavalas centrist political party representatives."

It's refreshing to see AID and its contractors being so straightforward about their efforts to undermine democratic political movements which express leftist views frowned upon by the United States. But working against a specific party violates the guidelines of AID, which is supposed to remain neutral in its overseas "democracy enhancement" projects.

This thorny problem was resolved with the help of Rep. Benjamin Gilman, Republican chair of the House Committee on International Relations. He sent the IRI a note saying that the "proposal you are considering ... runs counter" to AID policy of not discriminating against any political group, and urged the Institute "to be flexible on this point".

The Institute quickly pledged to AID that it would be strictly even-handed in its election work. Reassured, AID will maintain support for the $495,470 program.

Given that Lavalas is expected to sweep the elections, the IRI is planning to discredit the vote by claiming that the "political playing field" in Haiti is unfairly stacked in favor of pro-Aristide forces. The Institute is already spreading this line, both in Congress and in Haiti.

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Carlucci: DC's Ethical Leader

Reeling from unusually adverse publicity, the Guatemalan military has hired a D.C. lobbyist to carry out a p.r. campaign on its behalf. In early April, the high command, which during the past 40 years has overseen the murder of 140,000 civilians, signed up Thompson & Co. to conduct a six-month, $420,000 effort. The firm is headed by Robert Thompson, a former assistant to President Ronald Reagan. In his contract, he pledges to ensure that "Guatemala's side of various issues" is aired in the U.S.

Recruiting expert assistance, Thompson has subcontracted with International Planning and Analysis Center (IPAC), whose chairman is Frank Carlucci, the ex-secretary of defense, national security advisor and deputy director of the CIA. On IPAC's board sit Clinton advisor Tony Coelho, and president of Wertheim Schroder, an investment bank; Craig Fuller, ex-chief of staff to George Bush; Joseph O'Neill, chief of staff for Lloyd Bentsen's 1988 presidential run; and Richard Wiley, a D.C. lawyer and former head of the Federal Communications Commission.

According to an account in *Legal Times*, IPAC's board held an hour-long meeting in mid-April to discuss whether they should work on the Guatemalan account. Wiley told the magazine that "I did have concerns," but that his doubts had been allayed by Carlucci, apparently the board's ethical and moral conscience. "Carlucci is very sensitive about these things, and he said this is one you don't have to worry about," Wiley was quoted as saying.

Intrigued by his comments, we phoned Wiley to ask him about the sensitive side of Carlucci, who during the Reagan years supported development of every weapon of mass destruction proposed by the president, endorsed the view that nuclear war was winnable, and backed aiding and arming some of the Third World's worst human rights abusers, including Guatemala. We also wanted to ask Wiley for a list of clients that IPAC has turned down due to ethical considerations. Wiley failed to return our calls.

Coelho told *Legal Times* that he didn't attend the board meeting during which IPAC agreed to represent Guatemala and that he hadn't even been aware of the firm's new client. No doubt he is planning to resign from the board in protest.

One task of Guatemala's lobbyists will be to portray civilian President Ramiro de Leon Carpio, a figurehead ruler dominated by the military, as leading his nation boldly towards Swedish-style democracy. The president's true significance to Guatemala's political scene is seen in the fact that his name is misspelled in the contract.

Has Newty Been A Bad Boy?

House Speaker Newt Gingrich recently paraded himself at a gathering of the Christian Coalition, promoting moral values and the Christian way. But like many trumpeters of God's word, public and private posture do not always match.

Despite his expressed devotion to family values, Gingrich has often been a poor advertisement for the married state. Back in the early-1980s, he abandoned his wife and then showed up at her hospital bed, where she was recovering from a cancer operation, flourished a legal pad and tried to dictate stinted terms of divorce.

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In *Newt Gingrich: Speaker to America* – a new book mostly ignored by the press – Judith Warner and Max Berley quote Gingrich's former driver, who recalled "dropping him off at a woman's house in the evenings and picking him up at a Waffle House the next day." An ex-staffer told the authors that Gingrich's late night activities were "a problem in the '74 [campaign], and it was a problem in '76 and a problem in '78."

Gingrich's penchant for philandering may be a problem in '95 as well. We have heard from a variety of D.C. sources that the House Speaker, now married to his second wife, is romantically involved with a congressional staffer. Going on appearances, the woman in question is many years junior to Gingrich, and cuts a dashing figure next to the fleshy corpocrat. She works for an important House committee and previously served as a staffer for a congressman who is one of Gingrich's prime allies in the GOP. Sources claim that the pair occasionally have breakfast at the Supreme Court cafeteria, just across the street from Gingrich's apartment building.

Allegations of Gingrich's romance are known to a small but widening circle of officials and staffers in both parties. The White House also has heard of the Speaker's liaison, but, given Clinton's own record of philandering, has wisely decided not to go near the story (while yearning for its exposure). With Gennifer Flowers touring the nation to promote her book, *Passion and Betrayal*, and photographs of her underwear known to every bookstore denizen, this would be an especially indelicate moment for the White House to engage in mud-slinging.

Some members of the media have been pursuing the Gingrich story. One person familiar with the rumors swirling about the speaker tells us he has been contacted by at least a dozen journalists, including reporters from *The Washington Post* and *The Wall Street Journal*.

Gingrich, incidentally, has never been laggard when it comes to making personal attacks on his political enemies. In 1989, he and his aides suggested to reporters that Tom Foley, then about to become House Speaker, had some skeletons in his closet. "We hear it's little boys," one staffer, Karen Van Brocklin, told the *New York Daily News*. "We hear that an inmate at Lorton prison has made the charges." ■

(Roach, continued from p. 1)

better of me, but the vibrations are starting to leave me queasy", he wrote in an April 17 report for Morgan Stanley investors.

Roach occasionally professes concern about "efficiency strategies ... aimed squarely at the American worker" and "slash-and-burn strategies of cost-cutting". But like a serial killer drawn irresistibly to his next victim, he soon resumes his normal intellectual procedures.

Hard upon lamentation about the wretched state of "hard-pressed workers", Roach frets that Washington could commit a major "policy blunder", such as implementing a jobs program, because the political class may prove incapable of resisting calls to address "the discomfort of a growing underclass of disenfranchised workers". Also worrisome to Roach is the threat of a spasm of trade protectionism, which would "shelter beleaguered workers from the harsh realities of competition and restructuring".

Reporters cite Roach's opinions without demur or caution. Yet time and again his views are confuted by reality. John Liscio, editor and publisher of *The Liscio Report*, refers derisively to the "Stephen Roach Motel, where the data checks in but never checks out". Reflecting the conventional wisdom on Wall Street, Roach says growth above 2.5 percent is impossible without reigniting inflation. Yet for 13 consecutive quarters growth has been higher than 2.5 percent and inflation is nowhere visible on the horizon.

But accuracy of prediction is not the point. Roach and his fellow Wall Street analysts serve as adjuncts to their firms' sales forces, charged with the task of keeping money flowing into the stock market. The best means of achieving this goal is by forever forecasting and demanding moderate economic growth and low inflation, this being, from the bondholders' point of view, the most favorable and reassuring business climate.

Liscio points out that in non-financial reporting – sports, for example – interested parties aren't casually treated as "independent" experts. "If the Yankees are in last place in August, no sports writer will say that they're going to win the pennant because the manager says so", he remarks. "Roach and his ilk aren't analysts, they're salesmen, but the press treats them like prophets."

(Not a few reporters make the prosperous transition to direct work on Wall Street rather than indirect service on the business pages. Here the name of Steven Rattner – who moved from the offices of *The New York Times* to the executive suites of Lazard Freres – springs to mind.)

Ten or fifteen years ago Roach's views would still have been contentious, perhaps embarrassing. Today's priorities on Wall Street and in corporate boardrooms are now uncritically advanced by the press, be it in *Fortune* or *The Washington Post*. For those who want another measure of the changing tenor of official economic morality, it should be recalled that in the 1960s an unemployment rate of three percent was reckoned as marking "full employment". Today, the figure is six percent, or higher.

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Doug Henwood of *Left Business Observer* points out that Roach's judgments are symptomatic of a transformation in capitalist ideology, which Henwood traces to the early 1990s. Whereas previously low-growth numbers raised alarums about impending depression, these days Roach and others hail them as the augury of stability. "As bad as the Robber Barons were," says Henwood, "they actually did something useful. They left behind a transcontinental railroad system, an industrial base and an industrial proletariat. These guys on Wall Street today think only about tightening the noose." ■

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Making the Red Man Glow

Nuclear Industry Courts the Mescaleros

The Mescalero Apaches of southern New Mexico voted last month to make their land available to store radioactive waste generated by nuclear power plants. The vote, *The New York Times* reported on April 23, showed that ecologists "play on the image of the Indian as protector of mother earth, yet they sometimes get nervous when they see tribes making environmental decisions on their own." The *Times* quoted Indian leaders as saying that Mescaleros who opposed the dump had been manipulated by "outside agitators," i.e. environmental groups.

Another "outside agitator", unmentioned in the *Times*'s report, is the Nuclear Energy Institute (NEI). A coalition of nuclear utility companies, the NEI waged a six-figure public relations campaign designed to build support, both on and off the reservation, for Mescalero acceptance of the dump site.

We have been able to accumulate some inside information about the adroit p.r. effort. Industry flacks portrayed the proposal as an ecologically sensitive display of Indian sovereignty, and pro-dump Mescalero leaders were trained in the fine arts of public relations, the construction of sound bites and the handling of hostile reporters.

The nuclear industry currently finds itself in desperate straits as it has no place to store the radioactive waste which is rapidly piling up at utility company plants around the nation. The federal government is exploring the possibility of burying waste under Yucca Mountain in Nevada, but that plan faces immense obstacles and even if approved the site won't be available until the year 2010.

The Mescaleros offer at least a short-term solution. The plan approved by the 3,500-member tribe would give the Mescaleros up to $250 million to store 20,000 tons of waste for forty years, during which time, nuclear advocates hope, a permanent solution can be found.

Nuclear industry executives were keenly aware that Mescalero approval to store the waste would not only buy the industry time, but would also amount to a mighty p.r. coup. During a strategy session of nuclear executives and p.r. strategists, one utility official remarked that Native Americans are often viewed as model ecologists — a phenomenon he described as "that Dances With Wolves thing" — and gleefully predicted that Mescalero acceptance of the dump would put environmentalists in a terrible bind.

Just as businessmen generally prefer dictatorship to democracy in the Third World, nuclear executives are keen admirers of Wendell Chino, who has brought "stability" to the Mescalero reservation for more than three decades. Chino — who even one supporter described to us as "a benevolent Joe Stalin" — has been able to win re-election and tribal approval for virtually any proposal he favors through a combination of strong-arm tactics and political patronage, such as dispensing jobs on a reservation where the unemployment rate is 35 percent. As Miller Hudson, who until last December worked for the Mescalero leadership, decorously puts it, "The Mescaleros were uniquely positioned [to accept the dump] because they have had stable political leadership for a long period of time."

Under Chino, the Mescaleros have set up a ski lodge, saw mill and cattle ranching operation. Unfortunately, much of the money generated by these projects is hoarded by the tribal leadership. Even as nuclear flacks proclaimed the dump facility would benefit all Mescaleros, Chino bought himself a Lear jet.

Not wishing to take the lead in the pro-dump campaign, the nuclear industry pressed tribal leaders onto the front lines. Fred Peso, the Mescaleros vice president, and Silas Cochise, grandson of a great Apache chief, attended a special communications training where they were imparted strategies for handling the press.

The industry also crafted "themes" which the Indians could use to push the dump proposal. Nuclear company executives have been ardent to counter the perception that the Indians are accepting radioactive waste merely because of the lure of nuclear dollars — a "perception" based on fact. Thus, Mescalero leaders were taken on tours of several nuclear power plants, enabling them to say they had undertaken a profound study of the nuclear issue and had concluded that there was no health or environmental risk to the tribe.

In one particularly bold stroke, Mescalero leaders, prepped by the industry, charged that opposition to the dump was "racist," since it implied that only whites were capable of handling radioactive waste. Furthermore, hosting a nuclear dump displayed respect for the environment, since the tribe felt responsibility for storing radioactive waste should not be left to future generations.

Following their training, Peso and Cochise put forth these arguments during a media tour to several cities. Peso also testified to Congress, his remarks largely prepared by industry.

Mescalero approval of the dump plan does not mean the proposal will move forward. Democrats and Republicans in New Mexico are united in opposition to the plan, and law suits will soon be filed to prevent the tribal leadership and the utilities from pressing ahead. ■

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